

Financial Statements of

**CORPORATION OF THE
TOWNSHIP OF ESQUIMALT**

Year ended December 31, 2023

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CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Financial Statements

Year ended December 31, 2023

Financial Statements

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of the Corporation of the Township of Esquimalt (the "Township") are the responsibility of management and have been prepared in compliance with applicable legislation, and in accordance with Canadian public sector accounting standards for local governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Township's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

Mayor and Council meet with management and the external auditor to review the financial statements and discuss any significant financial reporting or internal control matters prior to Council's acceptance of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditor appointed by the Township. The accompanying Independent Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the Township's financial statements.

Chief Administrative Officer

Director of Financial Services

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Financial Position

December 31, 2023 with comparative information for 2022

	2023	2022
Financial Assets:		
Cash and cash equivalents (note 2)	\$ 90,213,759	\$ 80,660,629
Property taxes receivable	1,179,554	1,306,035
Accounts receivable	2,090,195	1,092,058
MFA debt reserve cash (note 12(b))	498,679	534,730
	<u>93,982,187</u>	<u>83,593,452</u>
Liabilities:		
Accounts payable and accrued liabilities (note 3)	13,547,293	9,343,221
Deferred revenue and deposits (note 4)	8,290,778	7,072,489
Debt (note 5)	34,723,886	36,353,110
Employee benefit and retirement obligations (note 6)	1,600,169	1,458,370
	<u>58,162,126</u>	<u>54,227,190</u>
Net financial assets	35,820,061	29,366,262
Non-financial assets:		
Tangible capital assets (note 7)	105,770,772	100,015,312
Inventory of supplies	201,306	178,508
Prepaid expenses	178,621	174,247
	<u>106,150,699</u>	<u>100,368,067</u>
Commitments and contingencies (note 12)		
Accumulated surplus (note 8)	\$ 141,970,760	\$ 129,734,329

The accompanying notes are an integral part of these financial statements.

Director of Financial Services

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Operations and Accumulated Surplus

Year ended December 31, 2023 with comparative information for 2022

	Financial plan (note 13)	2023	2022
Revenues:			
Taxes for municipal purposes (note 9)	\$ 21,317,955	\$ 21,295,424	\$ 19,555,729
Payments in place of taxes (note 10)	13,168,098	13,263,765	12,852,521
Sale of services	4,017,818	4,574,013	4,275,962
Capital contributions & donations	-	248,455	337,604
Other revenue from own sources	2,941,286	8,715,080	9,762,059
Conditional transfers from other governments (note 11)	3,289,143	7,396,255	1,262,038
Unconditional transfers from other governments (note 11)	560,000	529,000	579,533
Total revenue	45,294,300	56,021,992	48,625,446
Expenses:			
General government	5,321,666	5,535,714	5,618,059
Protective services	16,671,208	18,086,054	15,390,431
Transportation	4,398,139	4,955,221	4,979,445
Environmental health	1,403,999	1,864,858	1,823,507
Environmental development	1,090,365	1,096,921	810,476
Recreation, parks and culture	10,905,136	12,246,793	11,381,289
Total expenses	39,790,513	43,785,561	40,003,207
Annual surplus	5,503,787	12,236,431	8,622,239
Accumulated surplus, beginning of year	129,734,329	129,734,329	121,112,090
Accumulated surplus, end of year	\$ 135,238,116	\$ 141,970,760	\$ 129,734,329

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Change in Net Financial Assets

Year ended December 31, 2023 with comparative information for 2022

	Financial plan (note 13)	2023	2022
Annual surplus	\$ 5,503,787	\$ 12,236,431	\$ 8,622,239
Contributed tangible capital assets	-	(248,455)	(315,231)
Acquisition of tangible capital assets	(55,232,021)	(9,880,056)	(6,949,788)
Amortization of tangible capital assets	-	4,011,589	3,627,665
Proceeds on disposal of tangible capital assets	-	1,047,240	30,923
Loss (gain) on disposal of tangible capital assets	-	(685,778)	774,361
	(55,232,021)	(5,755,460)	(2,832,070)
Acquisition of inventory supplies	-	(201,306)	(178,508)
Consumption of inventory supplies	-	178,508	146,845
Acquisition of prepaid expenses	-	(178,621)	(174,247)
Consumption of prepaid expenses	-	174,247	159,135
	-	(27,172)	(46,775)
Change in net financial assets (debt)	(49,728,234)	6,453,799	5,743,394
Net financial assets, beginning of year	29,366,262	29,366,262	23,622,868
Net financial assets, end of year	\$ (20,361,972)	\$ 35,820,061	\$ 29,366,262

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Statement of Cash Flows

Year ended December 31, 2023 with comparative information for 2022

	2023	2022
Cash provided by (used in):		
Operating activities:		
Annual surplus	\$ 12,236,431	\$ 8,622,239
Items not involving cash:		
Contributed tangible capital assets	(248,455)	(315,231)
Amortization of tangible capital assets	4,011,589	3,627,665
Change in employee benefits and other liabilities	141,799	78,130
Actuarial adjustment on debt	(351,659)	(512,959)
Loss (gain) on disposal of tangible capital assets	(685,778)	774,361
Change in non-cash operating assets and liabilities:		
Property taxes receivable	126,481	(506,313)
Accounts receivable	(998,137)	(78,321)
MFA debt reserve fund cash	36,051	64,262
Accounts payable and accrued liabilities	4,204,072	(1,993,210)
Deferred revenue and deposits	1,218,289	(2,602,259)
Inventory of supplies	(22,798)	(31,663)
Prepaid expenses and deposits	(4,374)	(15,112)
	19,663,511	7,111,589
Capital activities:		
Acquisition of tangible capital assets	(9,880,056)	(6,949,788)
Proceeds on disposal of tangible capital assets	1,047,240	30,923
	(8,832,816)	(6,918,865)
Financing activities:		
Debt issued	-	98,761
Debt principal repaid	(1,277,565)	(1,373,425)
	(1,277,565)	(1,274,664)
Increase (decrease) in cash and cash equivalents	9,553,130	(1,081,940)
Cash and cash equivalents, beginning of year	80,660,629	81,742,569
Cash and cash equivalents, end of year	\$ 90,213,759	\$ 80,660,629
Supplemental cash flow information:		
Cash paid for interest	\$ 1,206,857	\$ 1,228,240
Cash received from interest	4,708,340	2,244,312

The accompanying notes are an integral part of these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

The Corporation of the Township of Esquimalt (the "Township") was incorporated on September 1, 1912 under the Municipal Act, a statute of the Province of British Columbia. Its principal activities are the provisions of local government services to residents of the incorporated area. These include administrative, protective, transportation, environmental, recreational, water, sewer and fiscal services.

1. Significant accounting policies:

The financial statements of the Township are prepared by management in accordance with Canadian public sector accounting standards for governments as recommended by the Public Sector Accounting Board ("PSAB") of The Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Township are as follows:

(a) Reporting entity:

The financial statements include a combination of all the assets, liabilities, accumulated surplus, revenues and expenses of all of the Township's activities and funds. Inter-departmental balances and organizational transactions have been eliminated. The Township does not control any significant external entities and accordingly, no entities have been consolidated in these financial statements.

(b) Basis of accounting:

The Township follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Government transfers:

Government transfers with stipulations are recognized as revenue in the period the transfer is authorized and all eligibility criteria have been met except when and to the extent the transfer gives rise to an obligation that meets the definition of a liability for the recipient government.

Government transfers without stipulations restricting their use are recognized in the financial statements as revenue in the period in which the transfers are authorized, any eligibility criteria are met, and reasonable estimates of the amounts can be made.

(d) Deferred revenue:

Deferred revenue includes grants, contributions and other amounts received from third parties pursuant to legislation, regulation and agreement which may only be used in certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenditures are incurred, services performed, or the tangible capital assets are acquired thereby extinguishing the related liability.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(e) Property tax revenue:

Property tax revenue is recognized on the accrual basis using the approved mill rates and the anticipated assessment related to the current year.

(f) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding government or related Act, investment income earned on deferred revenue is added to the investment and forms part of the deferred revenue balance.

(g) Cash and cash equivalents:

Cash and cash equivalents include investments in the Municipal Finance Authority of British Columbia (the "MFA") Money Market Funds which are recorded at cost plus earnings reinvested in the funds.

(h) Long-term debt:

Long-term debt is reported net of related payments and actuarial earnings.

(i) Employee future benefits:

The Township and its employees make contributions to the Municipal Pension Plan. These contributions are expensed as incurred.

Sick leave benefits and other retirement benefits are also available to the Township's employees. The costs of these benefits are actuarially determined based on service and best estimates of retirement ages and expected future salary and wage increases. The obligations under these benefit plans are accrued based on projected benefits as the employees render services necessary to earn the future benefits. The actuarial losses or gains are amortized over a period equal to the employee's average remaining service lifetime.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(j) Financial Instruments:

Financial instruments include cash and cash equivalents, accounts receivables, property taxes receivables, MFA debt reserve cash, accounts payables and accrued liabilities and debt.

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has not elected to carry any other financial instruments at fair value.

Unrealized changes in fair value are recognized in the Statement of Remeasurement Gains and Losses until they are realized, when they are transferred to the Statement of Operations and Accumulated Surplus. There are no unrealized changes in fair value as at December 31, 2023 and December 31, 2022. As a result, the Township does not have a Statement of Remeasurement Gains and Losses.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method or effective interest rate method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the Statement of Operations and Accumulated Surplus and any unrealized gain is adjusted through the Statement of Remeasurement Gains and Losses. When the asset is sold, the unrealized gains and losses previously recognized in the Statement of Remeasurement Gains and Losses are reversed and recognized in the Statement of Operations and Accumulated Surplus.

Long-term debt is recorded net of repayments and actuarial adjustments.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(k) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land, are amortized on a straight line basis over their estimated useful lives as follows:

Asset	Useful life in years
Land improvements	10 - 50
Building and building improvements	5 - 70
Vehicles, machinery and equipment	3 - 30
Water and wastewater infrastructure	20 - 100
Roads infrastructure	15 - 80

Amortization is charged annually, including in the year of acquisition and disposal. Assets under construction are not amortized until the asset is available for productive use. Tangible capital assets are written down when conditions indicate that they no longer contribute to the Township's ability to provide goods and services, or when the value of future economic benefits associated with the asset are less than the book value of the asset.

(ii) Contributions of tangible capital assets

Tangible capital assets received as contributions including tangible capital assets received in lieu of a developer cost charge, are recorded at fair value at the date of receipt and also are recorded as revenue.

(iii) Works of art and cultural and historic assets

Works of art and cultural and historic assets are not recorded as assets in these financial statements.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(k) Non-financial assets (continued):

(iv) Interest capitalization

The Township does not capitalize interest costs associated with the acquisition or construction of a tangible capital asset.

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(vi) Inventories of supplies

Inventories of supplies held for consumption are recorded at the lower of cost and replacement cost.

(l) Asset retirement obligation:

An asset retirement obligation is recognized when, as at the financial reporting date, all of the following criteria are met:

- There is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate of the amount can be made.

The liability for the removal of asbestos in buildings owned by the Township has been recognized based on estimated future expenses on closure of the sites and post-closure care. Under the prospective method, the discount rate and assumptions used on initial recognition are those as of the date of adoption of the standard. Assumptions used in the subsequent calculations are revised yearly.

The liability is discounted using a present value calculation and adjusted yearly for accretion expense. The recognition of a liability resulted in an accompanying increase to the respective tangible capital assets. The capital assets affected by the asbestos liability are being amortized following the amortization accounting policies outlined in 1(j)(i) above.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

1. Significant accounting policies (continued):

(m) Liability for contaminated sites:

The Township records a liability in its financial statements when contamination on non-active property exceeds an accepted environmental standard and the Township is directly responsible, or accepts responsibility, for the damage. The liability is measured at the Township's best estimate of the costs directly attributable to remediation of the contamination.

No contaminated sites liabilities have been recorded in these financial statements.

(n) Use of estimates:

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Estimates include assumptions used in estimating useful lives of tangible capital assets and estimating provisions for accrued liabilities including employee future benefits. Actual results could differ from those estimates.

(o) Change in accounting policies

On January 1, 2023, the Township adopted Public Accounting Standards PS 3450 - *Financials Instruments* and PS 2601 - *Foreign Currency Translation*. The standards were adopted prospectively from the date of adoption. The new standards provide comprehensive requirements for the recognition, measurement, presentation and disclosure of financial instruments and foreign currency transactions.

No adjustments to these statements were made as a result of adoption of these two standards.

On January 1, 2023, the Township also adopted Public Accounting Standard PS 3280 - *Asset Retirement Obligations*. The new accounting standard addresses the reporting of legal obligations associated with the retirement of certain tangible capital assets, such as asbestos removal in retired buildings by public sector entities. The new accounting standard has resulted in a withdrawal of the existing Section PS 3270 - *Solid Waste Landfill Closure and Post-Closure Liability*. The standard was adopted on the prospective basis at the date of adoption.

In accordance with the provisions of this new standard, the Township reflected the following increases at January 1, 2023 to the following asset and liability accounts:

- Building and building improvements - \$70,509
- Accounts payable and accrued liabilities - \$70,509

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

2. Cash and cash equivalents:

	2023	2022
Cash and bank deposits	\$ 2,922,011	\$ 2,870,250
Municipal Finance Authority Money Market Funds	87,291,748	77,790,379
	\$ 90,213,759	\$ 80,660,629

3. Accounts payable and accrued liabilities

Accrued liabilities includes the following asset retirement obligation established in 2023:

Asset Retirement Obligation	2023
Balance, December 31, 2022	\$ -
Establishment of asset retirement obligation	70,509
Accretion expense	3,370
Balance, December 31, 2023	73,879

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CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

4. Deferred revenue and deposits:

Deferred revenue, reported on the statement of financial position, includes the following:

	2023	2022
Trust and deposit liabilities	\$ 4,684,971	\$ 4,078,917
Unearned recreation fees	461,895	382,186
Property tax instalments	1,351,829	1,324,963
McLoughlin Amenity grants	-	226,401
Miscellaneous	1,792,082	1,060,022
	\$ 8,290,777	\$ 7,072,489

5. Debt:

Bylaw	Purpose	Matures	Rate	Original Amount	Repayments and Actuarial Earnings	Net Balance	
						2023	2022
<u>General Capital</u>							
2492	Recreation Centre	2023/10/03	2.850%	\$ 2,800,000	\$ 2,800,000	-	\$ 182,452
2834	Roads and Streets	2024/10/14	3.000%	1,200,000	1,066,758	133,242	271,174
3021	Public Safety	2051/09/27	2.580%	35,000,000	1,687,415	33,312,585	34,165,666
				<u>39,000,000</u>	<u>5,554,173</u>	<u>33,445,827</u>	<u>34,619,292</u>
<u>Sewer Capital</u>							
2565	Sanitary Sewers	2027/12/01	3.900%	2,353,000	1,730,908	622,092	766,227
2565	Sanitary Sewers	2026/10/19	1.530%	1,129,000	905,631	223,369	294,930
2565	Sanitary Sewers	2025/10/13	0.910%	2,012,000	1,750,890	261,110	392,192
2565	Sanitary Sewers	2024/12/02	2.250%	1,256,000	1,164,610	91,390	183,155
				<u>6,750,000</u>	<u>5,552,039</u>	<u>1,197,961</u>	<u>1,636,504</u>
<u>General Capital Short Term</u>							
LUA-Nov 21/22	Recreation Centre	2027/11/30	5.610%	98,761	18,663	80,098	97,314
				<u>98,761</u>	<u>18,663</u>	<u>80,098</u>	<u>97,314</u>
				<u>\$ 45,848,761</u>	<u>\$ 11,124,875</u>	<u>\$ 34,723,886</u>	<u>\$ 36,353,110</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

5. Debt (continued):

In 2002, the Council of the Township adopted Bylaw No. 2492 to authorize the renovation and upgrade of the Esquimalt Recreation Centre and to borrow upon the credit of the Township a sum not to exceed \$6,800,000.

In 2003, the Council of the Township adopted Bylaw No. 2565 to authorize the construction of improvements to the sanitary sewer system and to borrow upon the credit of the Township a sum not to exceed \$6,750,000.

In 2014, the Council of the Township adopted Bylaw No. 2834 to authorize the construction of improvements to the Admirals Road corridor and to borrow upon the credit of the Township a sum not to exceed \$1,200,000.

In 2021, the Council of the Township adopted Bylaw No. 3021 to authorize the construction of a new public safety building and to borrow upon the credit of the Township a sum not to exceed \$35,000,000.

In 2022, the Council of the Township authorized the replacement of aging fitness equipment and to borrow short term upon the credit of the Township a sum not to exceed \$98,761.

Total interest on debt for the year was \$1,159,636, including accrued interest of \$259,926 (2022 - \$1,220,303, including accrued interest of \$279,384).

The Township issues its debt instruments through the MFA. The debt is issued on a sinking fund basis, whereby MFA invests the Township's principal payments so that the payments, plus investment income, will equal the original outstanding debt amount at the end of the repayment period. Actuarial earnings on debt represent the repayment and/or forgiveness of debt by the MFA using surplus investment income generated by the principal payments.

Principal payments on debt for the next five years and thereafter are as follows:

2024	\$	1,193,527
2025		1,056,634
2026		975,733
2027		941,192
2028		829,477
Thereafter		19,077,971

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

6. Employee benefit and retirement obligations:

The Township provides sick leave and certain benefits to its employees. These amounts and other employee related liabilities that require funding in future periods are set out below.

Accumulated sick leave represents the liability for sick leave banks accumulated for estimated draw downs at future dates. Retirement benefit payments represent the Township's share of the cost to provide employees with various benefits upon retirement including lump sum retirement payments, death benefits, certain vacation entitlements in the year of retirement, and pension buyback arrangements for qualified employees.

Information about liabilities for employee benefit plans is as follows:

	2023	2022
Accrued benefit obligation, beginning of year	\$ 1,458,370	\$ 1,380,240
Service cost	133,900	150,500
Interest cost	71,300	47,200
Benefits payments	(93,900)	(170,100)
Past agreement refund accrual	30,499	50,530
Accrued benefit obligation, end of year	\$ 1,600,169	\$ 1,458,370

The actuarially accrued benefit obligation set out in the actuarial valuation is \$1,679,000 (2022 - \$1,483,200), resulting in a variance of \$78,831 between the obligation and the accrued benefit liability of \$1,600,169 (2022 - \$1,458,370). The variance is composed of an actuarial net loss of \$136,300 (2022 - \$69,700) and the special agreement refund accrual of \$57,469 (2022 - \$44,870). This actuarial loss is being amortized over a period equal to the employees' average remaining service lifetime of 11 years. The total expense recorded in the financial statements in respect of obligations under this plan amounts to \$223,100 (2022 - \$242,400).

The accrued benefit obligations and the net periodic benefit cost were estimated by actuarial valuation as of December 31, 2022. At December 31, 2023, the valuation was updated to reflect specific changes in the assumptions adopted in measuring the Township's accrued employee benefit obligations. The significant assumptions adopted in measuring the Township's accrued benefit obligations are as follows:

	2023	2022
Discount rates	4.10%	4.50%
Expected inflation rate	3.00%	4.00%
Expected wage and salary increase, based on age and gender	0.00% - 3.40%	0.00% - 3.40%

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

6. Employee benefit and retirement obligations (continued):

Municipal Pension Plan

The Township and its employees contribute to the Municipal Pension Plan (a jointly trustee pension plan). The board of trustees, representing plan members and employers, is responsible for administering the plan, including investment of assets and administration of benefits. The plan is a multi-employer defined benefit pension plan. Basic pension benefits are based on a formula. As at December 31, 2022, the plan has about 240,000 active members and approximately 124,000 retired members. Active members include approximately 43,000 contributors from local governments.

Every three years, an actuarial valuation is performed to assess the financial position of the plan and adequacy of plan funding. The actuary determines an appropriate combined employer and member contribution rate to fund the plan. The actuary's calculated contribution rate is based on the entry-age normal cost method, which produces the long-term rate of member and employer contributions sufficient to provide benefits for average future entrants to the plan. This rate may be adjusted for the amortization of any actuarial funding surplus and will be adjusted for the amortization of any unfunded actuarial liability.

The most recent actuarial valuation for the Municipal Pension Plan as at December 31, 2021, indicated a \$3,761 million funding surplus for basic pension benefits on a going concern basis.

The Township paid \$1,411,870 (2022 - \$1,226,234) for employer contributions while employees contributed \$1,215,366 (2022 - \$1,063,583) to the plan in fiscal 2023.

The next valuation will be as at December 31, 2024, with results available in 2025.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, resulting in no consistent and reliable basis for allocating the obligation, assets, and cost to the individual employers participating in the plan.

GVLRA - CUPE Long-Term Disability Trust

The Trust was established January 1, 1987 as a result of negotiations between the Greater Victoria Labour Relations Association representing a number of employers and the Canadian Union of Public Employee locals. The Trust's sole purpose is to provide a long-term disability income benefit plan. The Township and its employees each contribute equal amounts into the Trust. The total plan provision for approved and unreported claims was actuarially determined as of December 31, 2020 and extrapolated to December 31, 2022. At December 31, 2022, the total plan provision for approved and unreported claims was \$25,808,500 with a net deficit of \$3,026,543. The actuary does not attribute portions of the unfunded liability to individual employers. The Township paid \$86,906 (2022 - \$74,135) for employer contributions in fiscal 2023.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

7. Tangible capital assets:

Cost	Balance December 31, 2022	Additions	Disposals/ transfers	Balance December 31, 2023
Land and land improvements	\$ 47,216,353	\$ 166,257	\$ (151,988)	\$ 47,230,622
Building and building improvements	36,837,201	5,922,595	(9,902)	42,749,894
Vehicles, machinery and equipment	13,205,397	707,155	(291,172)	13,621,380
Water and wastewater infrastructure	27,338,800	723,711	(4,964)	28,057,547
Roads infrastructure	43,202,257	1,736,157	(320,335)	44,618,079
Work in progress	8,818,912	6,566,611	(5,693,975)	9,691,548
Total	\$ 176,618,920	\$ 15,822,486	\$ (6,472,336)	\$ 185,969,070

Accumulated amortization	Balance December 31, 2022	Disposals	Amortization expense	Balance December 31, 2023
Land and land improvements	\$ 12,321,962	\$ (18,666)	\$ 418,350	\$ 12,721,646
Building and building improvements	14,918,569	(1,782)	1,297,818	16,214,605
Vehicles, machinery and equipment	8,727,309	(276,414)	636,564	9,087,459
Water and wastewater infrastructure	14,473,242	(4,961)	423,996	14,892,277
Roads infrastructure	26,162,526	(115,076)	1,234,861	27,282,311
Total	\$ 76,603,608	\$ (416,899)	\$ 4,011,589	\$ 80,198,298

Net book value	Balance December 31, 2022	Balance December 31, 2023
Land and land improvements	\$ 34,894,391	\$ 34,508,976
Building and building improvements	21,918,632	26,535,289
Vehicles, machinery and equipment	4,478,088	4,533,921
Water and wastewater infrastructure	12,865,558	13,165,270
Roads infrastructure	17,039,731	17,335,768
Work in progress	8,818,912	9,691,548
Total	\$ 100,015,312	\$ 105,770,772

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

7. Tangible capital assets (continued):

(a) Assets under construction

Assets under construction having a value of \$9,691,548 (2022 - \$8,818,912) have not been amortized. Amortization of these assets will commence when the asset is available for service.

(b) Contributed tangible capital assets

Contributed tangible capital assets are recognized at fair market value at the date of contribution. There were contributed tangible capital assets having a value of \$248,455 during the year (2022 - \$315,231).

(c) Tangible capital assets disclosed at nominal values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category to which nominal values were assigned.

(d) Works of art and historical treasures

The Township manages and controls various works of art and non-operational historical cultural assets including buildings, artifacts, paintings and sculptures located at Township sites and public display areas. These assets are not recorded as tangible capital assets and are not amortized.

(e) Write-down of tangible capital assets

There were no write-downs of tangible capital assets during the year (2022 - \$nil).

(f) Asset retirement obligation

Included in the building and building improvements additions is \$70,509 representing the original estimate of the asbestos remediation obligations at January 1, 2023. Accumulated amortization relating to the additions was \$3,426.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

8. Accumulated surplus:

Accumulated surplus includes unappropriated operating funds and various appropriated operating accounts and reserve funds.

	2023	2022
Surplus:		
Equity in tangible capital assets	\$ 71,046,886	\$ 63,662,202
Unappropriated operating funds	49,516,015	48,304,779
	<u>120,562,901</u>	<u>111,966,981</u>
Appropriated operating funds:		
Future expenditures	906,925	911,724
Casino revenue	269,079	129,135
Community Impact Fund	448,313	363,365
Community Works Fund	2,273,347	4,720,995
Growing Communities Fund	4,895,432	-
Uncollected taxes	100,000	100,000
Working capital	400,000	400,000
	<u>9,293,096</u>	<u>6,625,219</u>
Reserve funds set aside for specific purposes by Council:		
Capital Projects	4,788,406	4,541,402
Local Improvement	214,239	199,373
Machinery and Equipment	2,189,142	2,473,172
Municipal Archives Trust	4,595	4,396
Parkland Acquisition	1,191,048	127,774
Tax Sale Lands	130,274	124,008
Sustainability	521,299	321,544
Eva Chafe	30,085	28,638
Infrastructure and Revitalization	2,931,956	2,632,769
Public Art	113,719	92,937
McLoughlin Amenity-Public Safety Facilities	-	596,116
	<u>12,114,763</u>	<u>11,142,129</u>
	<u>\$ 141,970,760</u>	<u>\$ 129,734,329</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

8. Accumulated surplus (continued):

Information about the Safe Restart Grant, included in unappropriated operating funds, is as follows:

	2023	2022
Safe Restart Grant, beginning of year	1,973,692	2,755,371
Eligible costs incurred:		
Revenue shortfalls	(46,000)	(618,000)
Protective services	(428,974)	(150,000)
General government	(182,818)	(13,679)
	\$ 1,315,900	\$ 1,973,692

Information about the Growing Communities Fund Grant is as follows:

	2023	2022
Growing Communities Fund, beginning of year	\$ -	\$ -
Grant received	4,710,000	-
Interest earned	185,432	-
	\$ 4,895,432	\$ -

9. Taxes:

	2023	2022
Taxes for municipal purposes:		
Property tax	\$ 21,024,892	\$ 19,314,833
Local Improvement	4,686	4,686
1% Utility tax	265,846	236,210
	\$ 21,295,424	\$ 19,555,729

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

9. Taxes (continued):

As well as taxes for its own purposes, the Township is required to collect taxes on behalf of, and transfer these amounts to, the government agencies noted below. Taxes levied over or under the amounts requisitioned are recorded as accounts payable or receivable.

	2023	2022
Taxes, requisitions and levies collected on behalf of the following agencies are not included in these statements:		
Province of British Columbia - school purposes	\$ 7,433,340	\$ 6,887,146
Capital Regional District - requisition	3,897,212	3,444,841
Capital Regional District - 9-1-1 call answer levy	52,180	51,864
Capital Regional Hospital District - requisition	854,380	834,165
British Columbia Assessment Authority	251,419	234,198
British Columbia Transit - Victoria Regional Transit Commission	1,387,305	1,155,999
Municipal Finance Authority	1,349	1,201
	<u>\$ 13,877,185</u>	<u>\$ 12,609,414</u>

10. Payments in place of taxes:

	2023	2022
Payments in place of taxes received for municipal purposes:		
Federal government	\$ 13,132,896	\$ 12,729,013
British Columbia Hydro & Power Authority	127,634	120,608
Provincial Rental Housing Corporation	3,235	2,900
	<u>\$ 13,263,765</u>	<u>\$ 12,852,521</u>

Payments in place of taxes collected on behalf of the following agencies are not included in these statements:

Province of British Columbia - school purposes	\$ 2,635,892	\$ 2,614,064
Capital Regional District	2,337,549	2,187,873
Capital Regional Hospital District	315,201	343,649
British Columbia Assessment Authority	160,753	167,629
British Columbia Transit - Victoria Regional Transit Commission	781,673	696,944
Municipal Finance Authority	515	497
	<u>\$ 6,231,583</u>	<u>\$ 6,010,656</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

11. Transfers from other governments:

	2023	2022
Conditional transfers from other governments:		
Federal	\$ 1,790,463	\$ 844,911
Provincial	5,605,792	368,127
Other agencies	-	49,000
	<u>7,396,255</u>	<u>1,262,038</u>
Unconditional transfers from other governments:		
Small communities protection	186,000	247,000
Traffic fine revenue sharing	343,000	332,533
	<u>529,000</u>	<u>579,533</u>
Total transfers from other governments	\$ 7,925,255	\$ 1,841,571

12. Commitments and contingencies:

(a) Contractual commitments:

At December 31, 2023, the following major contracts were in progress:

	Total amount of contract	Paid on contract to December 31, 2023
Ellice Recycling Ltd.	\$ 923,347	\$ 893,221
Emery Electric Ltd.	66,995	61,479
GeoAdvice Engineering Inc	179,480	27,275
Hazelwood Construction Services Ltd.	4,057,083	1,031,798
HCMA Architecture + Design	2,216,965	1,897,300
PerfectMind Inc.	132,680	79,608
Skyblue Services Corporation	156,800	136,700
Victoria Animal Control Services Ltd.	355,950	290,307
Victoria Drain Services Ltd.	212,312	199,704
	<u>\$ 8,301,612</u>	<u>\$ 4,617,392</u>

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

12. Commitments and contingencies (continued):

(b) MFA debt reserve fund deposits:

Under borrowing arrangements with the MFA, the Township is required to lodge security by means of demand notes and interest-bearing cash deposits based on the amount of the borrowing. As a condition of these borrowings, a portion of the debenture proceeds is withheld by the MFA as a debt reserve fund. These deposits totalling \$498,679 (2022 - \$534,730) are included in the Township's financial assets as restricted cash and are held by the MFA as security against the possibility of debt repayment default. At December 31, 2023, there were contingent demand notes of \$771,183 (2022 - \$852,373), which are not recorded in the financial statements of the Township. If the debt is repaid without default, the deposits are refunded to the Township and demand notes are cancelled.

(c) Capital Regional District (the "District") debt, under a provision of the Local Government Act, is a direct, joint and several liability of the District and each member municipality within the District, including the Township.

(d) The Township is a shareholder and member of the Capital Regional Emergency Service Telecommunications (CREST) Incorporated whose services provide centralized emergency communications, and related public safety information services to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout the Greater Victoria region and the Gulf Islands. Members' obligations to share in funding ongoing operations and any additional costs relating to capital assets are to be contributed pursuant to a Members' Agreement.

(e) The Township entered into a long-term contract with the City of Victoria and the Victoria and Esquimalt Police Board (the "Police Board") effective January 1, 2014 and extending until December 31, 2023. During the year, a one year contract extension was negotiated to December 31, 2024 with the option of two additional one year extensions. Under the terms of this contract, the Township will continue to fund a percentage of the annual police budget. No other conditions of the initial contract have changed.

(f) In February 2017, the Township entered into agreements with the Capital Regional District related to the hosting for the Core Area Wastewater Treatment Facility. These agreements outline the amenities to be received by the Township, which include annualized payments for the duration of the facility's useful life, allowances for the restoration of transportation infrastructure and funding to be used for the purposes of public safety, recreation facility and waterfront park improvements. For 2023, the Township received an annualized payment of \$66,588 (2022 - \$64,648).

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

12. Commitments and contingencies (continued):

- (g) The Township entered into a five year agreement with the City of Surrey effective September 18, 2018. Under the terms of the agreement, the City of Surrey will provide emergency dispatch and non-emergency after hour call answering services for the Township. The annual charge to the Township will be based on actual costs for the calendar year, including any adjustments for changes in calls for service, labour costs, and inflation costs as determined in the agreement. In 2023, the Township paid \$111,325 (2022 - \$107,043).
- (h) The Township is a defendant in various lawsuits. An accrual is recorded in respect of legal claims that are likely to be successful and for which a liability amount is reasonably determinable. The remaining claims, should they be successful as a result of litigation, will be recorded when a liability is likely and determinable. The Township is self-insured through membership in the Municipal Insurance Association of British Columbia. Under this program, member municipalities are to share jointly for general liability claims against any member in excess of \$10,000. Should the Association pay out claims in excess of premiums received, it is possible that the Township, along with the other participants, would be required to contribute towards the deficit.

13. Financial plan data:

The financial plan data presented in these financial statements is based upon the 2023 operating and capital financial plan approved by Council on May 1, 2023. Amortization, a non-cash item, was not included in the development of the financial plan and, as such, has not been budgeted. The chart below reconciles the approved financial plan to the financial plan figures reported in these financial statements.

	Financial plan amount
Revenues:	
Operating budget	\$ 99,598,605
Less:	
Transfer from other funds	(19,304,305)
Proceeds from borrowing	(35,000,000)
Total revenue	45,294,300
Expenses:	
Operating budget	99,598,605
Less:	
Capital expenditures	(55,232,021)
Transfer to other funds	(3,297,840)
Debt principal payments	(1,278,231)
Total expenses	39,790,513
Annual surplus	\$ 5,503,787

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

14. Segmented information:

The Township is a diversified municipal organization that provides a wide range of services to its citizens. For management reporting purposes, the Township's operations and activities are organized and reported by service area. Municipal services are provided by departments and their activities are reported in these service areas. Service areas that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

(a) General Government:

The general government operations provide the functions of building services and maintenance, corporate administration, finance, human resources, legislative services and any other functions categorized as non-departmental.

(b) Protective Services:

Protective services is comprised of four functions, including the Township's community safety and emergency program services, fire, police and regulatory and development services. The emergency program services prepare the Township to be more prepared and able to respond to, recover from, and be aware of the devastating effects of a disaster or major catastrophic event that will impact the community. The fire department is responsible for providing critical, life-saving services in preventing or minimizing the loss of life and property from fire and natural or man-made emergencies.

The police services provided by the City of Victoria ensure the safety of the lives and property of the Township as well as Victoria citizens through the enforcement of municipal bylaws, criminal laws and the laws of British Columbia, the maintenance of law and order, and the prevention of crime. The mandate of the regulatory and development services is to promote, facilitate and enforce general compliance with the provisions of bylaws that pertain to the health, safety and welfare of the community and to provide a full range of planning services related to zoning, development permits, variance permits and current regulatory issues.

(c) Transportation:

Transportation services is responsible for a wide variety of transportation functions such as parking, engineering operations and street maintenance management. This department provides infrastructure, traffic control and transportation planning services, as well as providing services related to infrastructure, land development impacts on transportation, traffic management, pedestrian and cycling issues and on-street parking regulations.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

14. Segmented information (continued):

(d) Environmental Health:

Environmental and health services include solid waste services and services related to sanitary and storm sewer systems. Solid waste services include collection of solid waste, household garbage and compost. Sanitary and sewer services include the construction and maintenance of the sewer distribution systems to protect the environment and public health from the impacts of liquid wastes generated as a result of human occupation and development in the Township.

(e) Environmental Development:

Environmental development works to achieve the Township's community planning goals through the official community plan, neighbourhood plans, special sector and precinct plans and urban design and other policy initiatives. The department is also responsible for the heritage program, downtown vitality and public use of space.

(f) Recreation, Parks and Culture:

Recreation services facilitates the provision of recreation and wellness programs and services through the Township's pool, arena, community and seniors' centres. The parks department preserves and enhances green spaces on public lands; and is responsible for the maintenance, planning and development of all park facilities such as ornamental gardens, natural ecosystems, sport and entertainment venues and playgrounds for recreational and cultural enjoyment in a beautiful and safe environment. The cultural department is responsible for co-ordinating and leading efforts to enhance our neighbourhoods, fostering arts and culture, and working to create a Township that is vibrant and people-centric.

Certain allocation methodologies have been employed in the preparation of the segmented financial information. The accounting policies used in these segments are consistent with those followed in the preparation of the financial statements as disclosed in Note 1.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

14. Segmented information (continued):

2023	General government	Protective services	Transportation	Environmental health	Environmental development	Recreation, parks and culture	Total
Revenues:							
Taxation	\$ 34,559,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,559,189
Goods and services	8,605,334	411,332	194,511	358,268	70,477	3,897,626	13,537,548
Government transfers	6,083,190	343,000	1,431,799	20,000	-	47,266	7,925,255
Total revenue	49,247,713	754,332	1,626,310	378,268	70,477	3,944,892	56,021,992
Expenses:							
Salary and wages	2,832,530	6,076,228	2,207,596	493,760	828,138	7,288,865	19,727,117
Materials, supplies and services	2,090,302	10,870,510	1,182,455	811,278	268,783	3,636,128	18,859,456
Interest and other	27,763	903,000	4,684	155,610	-	96,342	1,187,399
Amortization	585,119	236,316	1,560,486	404,210	-	1,225,458	4,011,589
Total expenses	5,535,714	18,086,054	4,955,221	1,864,858	1,096,921	12,246,793	43,785,561
Annual surplus (deficit)	\$ 43,711,999	\$ (17,331,722)	\$ (3,328,911)	\$ (1,486,590)	\$ (1,026,444)	\$ (8,301,901)	\$ 12,236,431

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

14. Segmented information (continued):

2022	General government	Protective services	Transportation	Environmental health	Environmental development	Recreation, parks and culture	Total
Revenues:							
Taxation	\$ 32,408,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,408,250
Goods and services	5,139,602	4,078,135	581,576	370,622	67,672	4,138,018	14,375,625
Government transfers	1,377,671	337,721	59,679	49,000	-	17,500	1,841,571
Total revenue	38,925,523	4,415,856	641,255	419,622	67,672	4,155,518	48,625,446
Expenses:							
Salary and wages	2,735,855	5,558,828	2,099,056	457,274	703,412	6,542,066	18,096,491
Materials, supplies and services	2,495,372	8,695,967	1,328,108	849,837	107,064	3,580,124	17,056,472
Interest and other	2,277	901,052	378	119,976	-	198,896	1,222,579
Amortization	384,555	234,584	1,551,903	396,420	-	1,060,203	3,627,665
Total expenses	5,618,059	15,390,431	4,979,445	1,823,507	810,476	11,381,289	40,003,207
Annual surplus (deficit)	\$ 33,307,464	\$ (10,974,575)	\$ (4,338,190)	\$ (1,403,885)	\$ (742,804)	\$ (7,225,771)	\$ 8,622,239

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

15. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Township is exposed to credit risk with respect to the cash and cash equivalents, property taxes receivable, accounts receivable, and MFA debt reserve cash.

The Township assesses, on a continuous basis, accounts receivable, and property taxes receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Township at December 31, 2023 is the carrying value of these assets.

The carrying amount of accounts receivable and property taxes receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the Statement of Operations and Accumulated Surplus. Subsequent recoveries of impairment losses related to accounts receivable and property taxes receivable are credited to the Statement of Operations and Accumulated Surplus. The balance of the allowance for doubtful accounts at December 31, 2023 is \$nil (2022 - \$nil).

As at December 31, 2023, \$270,843 (2022 - \$144,326) of trade accounts receivable were past due, but not impaired.

There have been no significant changes to credit risk exposure from 2022.

(b) Liquidity risk:

Liquidity risk is the risk that the Township will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Township manages its liquidity risk by monitoring its operating requirements. The Township prepares budget and cash forecasts to ensure it has sufficient funds to fulfill its obligations.

Accounts payable and accrued liabilities are generally due within 30 days of receipt of an invoice.

The contractual maturities of short- and long-term debt are disclosed in note 5.

There have been no significant changes to liquidity risk exposure from 2022.

CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Notes to Financial Statements

Year ended December 31, 2023

15. Financial risks and concentration of credit risk (continued):

(c) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates or interest rates will affect the Township's income or the value of its holdings of financial instruments. The objective of market risk management is to control market risk exposures within acceptable parameters while optimizing return on investment.

(i) Foreign exchange risk:

Foreign exchange risk arises as a result of exchange rate fluctuations and the volatility of these rates. The Township does not have any material transactions during the year or financial instruments denominated in foreign currencies at year end.

There have been no significant changes to the foreign exchange risk exposure from 2022.

(ii) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows or a financial instrument will fluctuate because of changes in the market interest rates.

There may be interest rate risk on long term debt issued by the Municipal Finance Authority as rates may be reset after the end of the first ten year term, followed by subsequent interest rate resets every five years thereafter. Interest on short term debt is based on floating interest rates. The Township's debt is disclosed in Note 5.

There has been no change to the interest rate risk exposure from 2022.